



THE NATIONAL INTELLIGENCE COUNCIL 2020 PROJECT

Conference Report on Northeast and Southeast Asia

Convened by Asia Society and the NIC
May 5-7, 2004

The views expressed in this and other papers associated with the NIC 2020 project are those of individual participants. They are posted for discussion purposes only and do not represent the views of the US Government.



THE NATIONAL INTELLIGENCE COUNCIL 2020 PROJECT

Conference Report on Northeast and Southeast Asia

Convened by Asia Society and the NIC
May 5-7, 2004

In May 2004, the Asia Society and the National Intelligence Council convened a conference of regional experts from Northeast and Southeast Asia—creative thinkers from the worlds of academia, government, business and civil society—to consider important factors that will influence the directions in which the region may develop by the year 2020. The two-day conference was part of the National Intelligence Council's 2020 Project to project plausible scenarios influencing global security.

Conference participants were asked to discuss a range of factors that could be considered “drivers” influencing developments in the region. Seven drivers were provided to the participants in advance of the meeting. Several additional factors were added to the list of drivers in the course of discussion. Following the extrapolation of details behind these drivers, the conference participants went on to explore the interaction of each to developing scenarios for the region in 2020.

South Asia was technically excluded from the considerations of this conference; however, its role in the region did occasionally enter into discussions. Similarly, while the role of the U.S. in the region was not expressly defined as part of the exercise, the discussions frequently led to a consideration of American actions when deemed natural and essential to a full examination of the respective issue.

DRIVERS

Demographics

Projected population growth in Northeast and Southeast Asia by 2020 will have a profound affect on economic conditions in many countries in the region. The impact will come not only from increases in total population, but also from substantial growth from particular population cohorts in terms of age and sex. Life expectancies will rise above

Discussion paper -- does not represent the views of the US Government

70 years in countries throughout Asia, with areas like Japan and Hong Kong rising to exceed 80 years.

Economic Impact of Graying Populations

Over the past decade, much of Asia has entered a more mature phase in economic growth—a period in which they have begun to realize that social welfare is an important part of growth. With a significant rise in the median age of citizens, medical care and pensions are particularly acute problems that many Asian states will need to address.

One mitigating factor might be a reassessment of retirement ages. Since retirement is not an indigenous concept in Asia, it is possible that by 2020 a system could arise in the region that is different than the Western model of a standard retirement age. While in some Western countries a rising retirement age has created pressures on unemployment, continued high levels of growth in much of Asia would be more likely to absorb an enlarged workforce. It is also possible that Asian states could develop a system to deal with this potential crisis that is based more on traditional Asian concepts than on the Western welfare state. Singapore, for instance, is creating multigenerational housing based on the traditional Asian extended family model, where younger generations care for the aged; Malaysia has initiated similar programs based on traditional family support systems.

Some discussion also developed around the impact of an inability by nations to address their social systems on other core budget lines, such as defense spending. Some believed that the shift in spending allocations to meet the needs of providing for an aging population would necessarily result in lower defense spending, and therefore promote more regional cooperation. However, others rejected the notion of a necessary correlation between increased funding for social services and a decline in defense spending, since military spending is seen by many in the region as an essential sign of national prestige.

Migration and Border Controls

Asian countries have traditionally been less tolerant of immigration than the West. The responses of various countries to potential migrant populations will serve to shape the region in 2020. How countries choose to manage immigration could affect not only their own economies, but also the continued growth of the region as a whole.

Gender Demographics

Changes in gender demographics in some parts of Asia may also have a profound impact on society by 2020. Women are gaining greater access to education and account for up to 70 percent of all university graduates in some areas. In Southeast Asia, women are gaining more elected offices—with up to 30 percent reserved by law for women in Indonesia. In many other areas throughout Asia, women are also playing active roles shaping society through their leadership of nongovernmental organizations (NGOs).

Managing Resources

Population increases would have obvious impact on resource demands for many states in Asia—demands for energy supplies and access to clean water sources. As these states address these basic needs, they will also be forced to explore their own management of economic resources. Several conference participants noted that many Asian states were large creditor nations that also enjoyed high savings rates, and that these financial resources might prove vital to Asia's ability to navigate the demands of a growing population; however, it remains unclear if any leaders will have the vision to harness these resources effectively.

Governance

The forms and effectiveness of governance will be important drivers of affairs in Asia over the next 15 years. The continued rapid pace of economic development projected for Asia will almost certainly lead to changes in the forms and perceptions of governance in many states in the region by 2020. At the same time, the reinforcing pressures of remaining economically competitive, managing the needs and expectations of its citizens, and pressures from internal and external threats will all influence the development of governing models of states and regional cooperative entities in Asia. While it is currently unclear which models will dominate in 2020, the most effective will be the development of a uniquely "Asian way" to governance—one that adapts aspects of different models to fit the particular issues that these nations face. Pragmatism in addressing the most urgent issues will likely prevail over ideology.

Democracy

Movement toward democracy in many Asian states is likely to continue along with economic successes. However, the future development of liberal, democratic states in much of Asia is by no means certain. In many states, the development of democratic processes could be offset by the perceived need for strong government. Popular dissent and insurgency resulting from severe economic downturns or perceptions of injustice—such as those witnessed in South Korea—could lead to the rise of extremist movements that place considerable strain on stability. Increased popular dissent could, in turn, lead to more authoritarian forms of governance. Similarly, the growth of perceived external ideological threats to the state, like an international Islamic movement, could similarly lead to strong government reaction.

Moreover, while there is an acknowledged admiration for Western-style governance, most Asians do not want it imposed on them. The negative experiences of the late-1990s with the IMF and World Bank continue to engender strong reactions against structures of governance imposed by the West.

Discussion paper -- does not represent the views of the US Government

The current lack of a truly successful democratic state in Asia has not escaped notice in the region. The two longest standing democracies in Asia—the Philippines and India—are far from being models that other states wish to emulate. In the execution of governance, the Philippines remains similar in many respects to other authoritarian states in the region. Similarly, India today is not seen as a great democracy because the society still retains many of the vestiges of its historic feudal system.

A New China Model

Given the undesirability of following a ready-made Western model and the lack of a successful Asian model of democracy, developments in Chinese governance are being closely watched throughout Asia, and will play an influential role in the region. Generational changes by mid-2010s will likely have a significant impact on the nature of Chinese governance. While Third and Fourth Generation political leaders were not influenced intellectually by international education, many of those in the Fifth Generation have been trained in Western-style universities and have a good understanding of international standards of governance. In fact, some of these Fifth Generation leaders are already exerting influence as mayors and regional officials. Current Chinese party leaders are agnostic on the issue of democracy, and are looking to develop the most effective model of governance. While many are open to adapting aspects of Western governance, the leadership is following Deng Xiaoping's guidance to develop their "own way"—a model that best fits China's needs.

While it is still unclear exactly what this new China model will look like in 2020, it is likely to prove a strong influence on the character of governance in other smaller countries in Asia. As the countries in the region increasingly have their own economic and security interests tied to China, it is only natural that many will seek to emulate or adopt aspects of Chinese governance—seeing it as an "Asian way" distinct from the Western liberal democratic model.

Regional Cooperation

The benefits of regional economic integration are now broadly accepted in Southeast Asia, and will continue to develop over the next few decades. The pace of regional economic cooperation and the extent to which it will translate into increased political integration remain uncertain. Consequences of regional cooperation could lead to increases in local autonomy.

Identity, Ideology and Political Religions

Identity will remain a powerful force in shaping Asian societies through 2020. The role of identity is very different in the more homogenous Northeast Asia than it is in the multireligious and multiethnic nations of Southeast Asia. However, determining when identity issues might emerge as drivers is difficult to chart. In fact, since individuals often define themselves by a multiplicity of identities—particularly in Southeast Asia—it

Discussion paper -- does not represent the views of the US Government

is never clear which might emerge as resonant issues. In the course of the conference discussion, some of the most important identity issues were explored in detail.

Nationalism

The next 15 years will likely see a relaxation of nationalism in Southeast Asia, with more pluralistic models of identity rising to the fore. Nationalism became a strong political force in the aftermath of colonialism in the twentieth century, and new regimes sought legitimization. With greater stability, security and economic comfort in the first decades of the current century, nationalism becomes a less prominent factor in shaping identity politics. While some leaders continue to appeal to an indigenous nationalism for political gain, the trend toward weakening nationalist identities will continue through 2020, in some case even allowing for the rise of more localist identities.

Islam

While Islamic cultural identity is currently a forefront issue in some parts of Southeast Asia, it is unlikely to become significantly more prominent by 2020. Indonesia, in particular, has become the center of important Islamic theology, but barriers of language and cultural barriers will likely prohibit it from becoming an international center that will influence other Islamic countries. The time for pan-Islamism has passed. Indonesia does, however, provide an interesting model for the indigenization of Islam in a multicultural society. The balance between Islam and secularism will continue to be an important issue, and division of mosque and state will likely continue in the region over the next 15 years.

Religion in China

Conference participants briefly discussed the role of religion in China. With the decline of Marxism as a guiding philosophy to personal and professional action, several wondered what new systems of belief might emerge to greater prominence by 2020. If corruption is not held in check, for instance, the people could look to a new common system of belief to fill the moral vacuum and as a compass to ethical behavior.

“Chineseness” in Southeast Asia

With China’s emergence as a dominant power, the identities of people of Chinese heritage will increasingly become a domestic issue in countries. For many decades there was a trend for Chinese emigrants to adapt to their new countries; in fact, this represented a longstanding tradition of Chinese adaptability to their local environment. This has been particularly true in Thailand, Malaysia and throughout Southeast Asia. In recent years, however, the region has witnessed a reemergence of Chinese identity. Today, the rise of “Chineseness” is not seen as threat to local national identities. Since political identities and national boundaries are secure, there is an increasing willingness throughout Southeast Asia to recognize Chinese holidays and other aspects of the Chinese identities of some citizens. In fact, many aspects of Chinese culture, like *feng shui*, have been

embraced by popular culture. If this trend continues, by 2020 it could have implications for how some nations view their relationships with China itself.

Future of Force

With Asia's development of new weapons technologies and a significant rise in military spending projected over the next two decades, the future of force will be one important driver to watch in 2020. Lingered disputes in Northeast Asia will be an issue of particular concern, and the U.S.'s role in regional security will be closely watched by all in the region.

Nuclear Development

In Northeast Asia, nuclear development will likely continue to serve as a primary factor in determining regional peace through 2020. The ultimate resolution of the dispute over North Korea's development of nuclear weapons will have a profound affect on the future of force in the region—including shaping future security alliances of several key players in the region, including China, Japan, the Republic of Korea, and the U.S. The most likely outcome is North Korea's possession of nuclear weapons by 2020, which could, in turn, raise questions for Japan and South Korea. (A unified Korea maintaining nuclear weapons is also a possibility that must be considered for 2020.)

China's "Peaceful Rise"

With its growing prosperity and increased military spending, the nature of China's projected peaceful rise will certainly reshape security throughout Asia. By 2020, China's military spending will triple or quadruple, surpassing Japan but still remaining well behind U.S. spending. Most Asian nations voice little concern over China's expansion; even many states that were formerly in opposition, are now seeking to develop partnerships—some sincerely, although others may be seeking to develop closer relationship merely to hedge their bets.

The dispute with Taiwan remains one area that could potentially undermine China's peaceful intentions. On the whole, most conference participants thought military intervention was highly unlikely over the next 15 years. Since the U.S. position on maintaining the status quo is clear, China has demonstrated no urgency to resolve the issue. In fact, the positions of each party have remained constant over the past 30 years, and are unlikely to change significantly over the next few decades. Taiwan's own actions remain the most critical in how this issue will be resolved. Some conference participants expected Taiwan to have moved significantly closer to independence by 2020. Some others, however, felt that with China's rising economic prospects, Taiwan's business leaders would increasingly seek mainland business and investment opportunities; these closer ties could ease the way to a peaceful resolution.

Japan

The actions of Japan could play a pivotal role in shaping regional security by 2020. China is interested in seeing Japan develop a greater independence from the United States. However, most conference participants saw little chance that Japan would abandon its strong relationship with the U.S. in the next 15 years. Japan, they noted, understands that it needs a powerful partner to play an influential role, and the U.S. fulfills that need better than any other potential partner. Yet, the continued strength of the U.S.-Japan relationship could quicken the pace of military build-up in the region, as China seeks to become a regional counterbalance to this alliance.

Competition for Resources

With a quickened pace of economic growth, competition for resources should also become an issue to watch in gauging security concerns in Asia. The growing demands on large states in Asia to fulfill the energy, food, water, and communication needs of its citizens will likely continue through at least 2020. China and India are already exploring transregional agreements to safeguard their resource needs, and have even begun looking to Africa as a possible source to fulfilling their needs. While there is no clear indication that competition for resources will lead to direct military conflict over the next 15 years, it remains an issue that should be closely watched.

Technology

Technology could prove a driver of events in any number of ways. Conventional wisdom holds that one social challenge resulting from IT might be a growing digital divide that creates an opportunity chasm between the haves and have-nots. However, properly utilized, technology also provides opportunities that could help governments provide for the needs of its citizens. The IT entry barrier is much lower than the traditional industrial model, so educational and entrepreneurial opportunities are available at levels never before seen. Mobile and handheld technology allows accessibility even in developing areas where the infrastructures for electricity do not yet exist. Unfortunately, government leaders themselves often lack the technological savvy to capitalize on these opportunities to provide better lives to their citizens.

Globalization

The globalization of Asia's economies will undoubtedly have a profound impact on shaping the region in 2020. While most conference participants expected globalization to lead to economic growth for most parts of Asia, many worried that too little attention was given to the fact that this trajectory would not necessarily be linear growth over the next 15 years. The region should anticipate highs and lows in economic development. This holds true for China, as well, which today is riding a wave of optimism about its

inevitable growth. While some held that China would be responsive to drastic changes, others doubted its ability to control the economy to avoid the inevitable down cycles.

ADDITIONAL DRIVERS

China

While not initially considered as an independent driver, through the course of discussions it became clear that China is itself one of the most important factors that will shape affairs Northeast and Southeast Asia through 2020. As noted above in the analysis of other drivers, China will exert both an active and passive influence on a broad array of issues—ranging from economic cooperation and regional security to issues of identity.

United States

Similar to China, the U.S. will also continue to play a decisive role in the development of events in Asia through 2020. Most conference participants acknowledged that the current level of U.S. influence in Asia would be significantly diminished over the course of the next 15 years in direct relation to the growing influence of China. However, the extent to which the U.S. influence declines would result in large measure from its own policies and actions; China would fill any vacuum in regional leadership abdicated by the United States. In the end, the role of the U.S. would continue to be a very important driver in 2020.

Terrorism

While some conference participants suggested that terrorism was an important factor that could shape events in 2020, others saw little likelihood that it would be a driver of events in Asia. Most participants deemed terrorism in the region largely a local issue focused in some parts of Southeast Asia, where it has been ongoing for many years. Even in those areas of Southeast Asia where it remains an active reality, however, terrorism has not played a very significant role.

SCENARIOS

***Scenario One:* Fragmentation and Intrastate Conflict**

This scenario envisions an Asia in which states are unable to address their most pressing economic and demographic issues, and therefore face large-scale, internal conflict as the

Discussion paper -- does not represent the views of the US Government

defining characteristic. Internal conflicts arise over economic development, social welfare, and identity politics. Internal conflict becomes particularly rife in the larger, multireligious and multiethnic states of Southeast Asia, including Indonesia, the Philippines, and Thailand. High unemployment leads to an implosion of order. In some areas where there is already longstanding conflict, such as Mindinao and Aceh, there may be actual separatism, but for the most part conflict would reign indefinitely without a major crash, as states are likely to remain viable.

The most immediate consequences of this kind of conflict would be the emergence of politically divisive identity issues, such as religious and ethnic divisions, particularly in Southeast Asia. The political, legal and social systems would be placed under considerable strain by having to resolve an array of issues they were unprepared to handle. While most nation states in Asia would remain intact, many would likely enter a period of prolonged tension.

In response to these new challenges, a number of states in the region would likely experience the rise of repressive military force to maintain control. The increasing pressure from popular democratic opposition; with a rise in ethnic identities, overseas Chinese could increasingly play a role, as Chinese identities rise to the fore.

The broader international consequences would likely include regional balkanization. Security in the region would take on the appearance of a 19th century European model of balance of powers between nation states. With no mechanism for regional conflict resolution, uncertainty and fragmentation could lead to changeability in global spheres of influence, as countries look for new alliances to deal with internal and external threats. Conflict over resources could lead to increased pressures of migration, so richer, more stable states will be forced to deal with increased pressures from migrant labor. The Islamic world could be drawn into these domestic conflicts, since poorer Muslim populations within these states would be adversely affected and looking for outside support. The U.S. and Chinese support for a particular regime or state in the region could have a profound affect in influencing internal allegiance and the balance of power between states. A Chinese drive for oil could promote greater conflict in the South China Sea.

The key drivers of this scenario would be the global economy, poor governance, and the mismanagement of resources. The actions of China and the U.S. would also play vital roles in the outcomes.

Conference participants considered this scenario feasible, but among the least likely for Asia in 2020.

Scenario Two:
Regional Cooperation / Local Autonomy

A scenario depicting greater regional cooperation posits rapid development toward nation states in Asia joining together their economic and security interests. As ASEAN moves quickly toward integration, an extended East Asian Community bloc also forms under leadership of (and fostered by competition between) China and Japan. Manifestations of this greater cohesion include the development of an Asian monetary fund and a multilateral Asian security force similar to NATO. While political union on the European Union model is not possible by 2020, it is feasible that they could make significant progress by this time, perhaps putting them half way toward political integration.

This scenario anticipates several consequences. First, centralized authorities of nation states might devolve to a greater extent to localities. Second, greater regional cooperation would greatly diminish U.S. influence over economic and security issues in Asia.

Key drivers of this scenario include the continued growth of global economy, where regional trading blocs increasingly become a necessity to remaining competitive. This optimistic scenario also depends heavily upon national leaders and governments understanding that their ability to sustain growth and management of limited resources would be most effectively managed through multilateral cooperation. Politics would have to take a back seat to economic interests.

China's growing leadership and a U.S. abdication of its own influence in the region were also considered important drivers of this scenario. The renminbi would become the dominant currency in the region by 2020, and China would also become the lynchpin to the development of a multilateral security force. Many participants believed that China's regional influence in this scenario would also result directly from the perception—if not reality—of diminished American reliability in protecting Asian interests on economic and security interests.

While the extent to which Asian integration would be achieved by 2020 remains a matter of speculation, this scenario of greater multinational cooperation was deemed among the most likely by conference participants.

Scenario Three:
Competitive States

This scenario stands in contrast to the Regional Cooperation scenario, whereby nation states maintain their independent interests, resulting in accelerated levels of economic competition in 2020. This scenario most closely represents the current reality in Asia, and envisions little change from the status quo. While not abandoning advantageous

cooperative alliances, the trend of bilateral trade agreements would continue without leading to a larger regional trading or security bloc.

A principal driver of this scenario would be an economic environment in which government leaders perceive more to be gained by unilateral action than through regional cooperation. This vision for 2020 might also result from chronic internal or external threats to states, since less secure national leaderships would be less likely to enter into cooperative agreements that lessened its sovereignty.

While some conference participants believed that some version of this scenario might develop alongside growing regional cooperation, most rejected it as a likely depiction of Asia in 2020. Most believed strongly that states in Asia already understand the benefits of regional cooperation, and some move in that direction is most likely to occur in the next 15 years.

Scenario Four: **China – Japan Conflict**

This conflict scenario imagines a dispute between China and Japan arising over both countries' rising energy needs. With continued robust growth in China's economy and resultant energy requirements, the discovery of greater oil reserves than previously thought in the Senkaku (Diaoyu) Islands revives the century-old dispute with Japan over sovereignty of these territories. Over China's objections, Japan's leadership contracts private oil companies to commence new drilling on the islands. Conservative politics in Japan and a rising nationalist tide in China further polarize the parties and neither agrees to direct talks to resolve the dispute. China prepares to send forces to Senkaku to defend its interests.

Nationalism and energy needs are the main drivers of this scenario.

While most of the conference participants felt that a China-Japan conflict was improbable, the specific scenario proposed did raise interesting discussion, particularly around the role of old disputes and historic animosities in driving events. A China-Japan conflict would also disrupt the balance of alliances in Northeast Asia. Korea and Taiwan, many believed, would side with China in the dispute, while Japan would look to the United States, which might be called on to defend not only its staunch ally but also the interests of Western oil companies. In the end, however, it was widely agreed that both China and Japan would realize that their best interests lay in avoiding military conflict, so this would be a limiting factor to a violent resolution.

Scenario Five:
China's Benevolent Dominance

This scenario puts forward China's benevolent dominance in Asia by 2020. The scenario builds upon China's own claims to a "peaceful rise" and projects it over both economic and security matters throughout the region. To many in Asia, China's benevolent dominance is merely a return to pre-colonial realities, where the Middle Kingdom exerted its strong economic influence without military threat, with most in the region ultimately benefiting from Chinese-influenced trade. While some nations would seek to preserve their sovereignty, most would eagerly seek to align their economic interests with China on the promise of a win-win trade relationship.

While the economics of its own domestic growth would provide China with the impetus for regional dominance, its role in regional security would be evolving. Unlikely to seek active involvement as Asia's policeman by 2020, the security responsibility could be thrust upon China by others in the region.

India's role in the region would play an important position in this scenario. India will most likely seek close ties to the Chinese sphere of influence, but could become a competing, dominant economic force in the region, building upon ties with ASEAN.

China's own economic growth remains the principle driver of this scenario. The role of overseas Chinese could also facilitate the reception of China's growing dominance throughout Asia.

Conference participants selected China's benevolent dominance as one of the more likely scenarios for Asia in 2020.

CONCLUSION

The conference concluded with a brief description of various global scenarios into which these Asia-specific drivers and scenarios might fit. These global scenarios included:

- 1) Pervasive Insecurity
- 2) Regionalization
- 3) U.S.-China Conflict
- 4) Heterogeneous Globalization

The development of the drivers and scenarios by the conference participants for Northeast and Southeast Asia will help to inform the further elaboration of these four global scenarios, as well as facilitate the development of alternative global scenarios for further study.